Metrolinx Annual Report 2010-2011

METROLINX
An agency of the Government of Ontario

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Letter from the Chair

A new year is always filled with excitement and optimism.

The 2010-2011 fiscal year saw Metrolinx continue to transform the face of transportation in this region – from start to finish.

We successfully delivered a plan for the transit landscape of Canada's largest city with the agreement to build real, progressive transit solutions for the City of Toronto.

We completed our groundbreaking electrification study and approved a plan that will see, subject to the completion of engineering and environmental work, as well as future funding decisions, electrification of parts of the GO Transit system in phases over time. We also moved closer to connecting Union Station with Pearson Airport with the ordering of Diesel Multiple Units that will carry the estimated 5,000 daily passengers that will use the Air Rail Link when it launches in 2015. Further, we continued to work with our partners as we introduced rapid transit in York Region and dedicated bus lanes in Mississauga.

The PRESTO fare card is now available to even more users across the Greater Toronto and Hamilton Area, connecting more people seamlessly.

The past year saw us continue to build GO Transit service, welcoming more than 2 million new riders and giving our customers a written commitment of our service promises with the introduction of the Passenger Charter.

Many of our greatest accomplishments this past year are only just the beginning of true regional transportation transformation for this region, and I look forward to what the next year will bring.

Sincerely,

Robert Prichard
Chair, Metrolinx

Message from the CEO

The past year has been rewarding and accomplishment-filled as we've created solid, lasting partnerships and projects, delivered recognized and meaningful customer service experiences and continued to transform the way the region moves.

Personally, I am pleased with the contributions our people have made to our success.

Our customers – from GO Transit to PRESTO – continue to show their loyalty to our services and ensuring that we drive our customer service efforts ever higher. We have rewarded that loyalty with improved customer services and written commitments and benchmarks against which to measure our efforts.

Our employees' efforts on new and innovative projects like the Air Rail Link and fundraising initiatives are a testament to the creativity, dedication and customer-focused spirit of our organization.

We have also made people a priority in the way we're transforming transit in this region. Work continued on the Union Station revitalization that will make it a world-class hub for the tens of thousands of commuters who use it daily.

Our agreement with Toronto and York Region to build transit is bringing world-class transit to the doorsteps of residents and businesses across the GTHA.

Finally, we made concerted efforts to ensure we are choosing the right projects to move forward with, in the right locations, at the right time and with a financial plan to ensure they are carried out. Our objective is to build quality projects, on time and on budget – start to finish.

In 2010-2011, we truly stepped forward as a united, strong organization committed to making a difference in this region.

Bruce McCuaig
President & CEO, Metrolinx

Governance Structure – 2010/11 Annual Report

Metrolinx is a corporation established by the Province of Ontario under the Metrolinx Act, 2006. Metrolinx's Board of Directors and CEO are appointed by the Lieutenant Governor in Council on the recommendation of the Minister of Transportation.

The Board of Directors governs the Corporation and provides strategic direction and oversight for Metrolinx's activities and operations. The Board convenes at least six times a year, including four meetings that have sessions open to the public.

Metrolinx Board of Directors

- J. Robert S. Prichard, Chair; Chair, Torys LLP; Chair, Penguin Canada
- Peter R. Smith, Vice-Chair; President and Co-Founder of Andrin Limited
- Jennifer E. Babe, Partner, Miller Thomson LLP
- Paul Bedford, Urban Mentor and Chief Planner Emeritus, City of Toronto
- Rahul Bhardwaj, President and CEO, Toronto Community Foundation
- Tony Gagliano, Executive Chairman and Chief Executive Officer of St. Joseph Communications
- Joseph A.G. Halstead, Former Commissioner of Economic Development, Culture and Tourism, City of Toronto
- Richard Koroscil, President and CEO, John C Munro Hamilton International Airport
- Nicholas Mutton, Executive Vice-President, Human Resources and Administration, Four Seasons Hotels and Resorts
- Lee Parsons, Founding Partner, Malone Given Parsons Ltd.
- Rose M. Patten, Senior Executive Vice-President, Head of Human Resources and Senior Leadership Advisor, BMO Financial Group
- Stephen Smith, Co-Founder, Chairman and President of First National Financial LP
- Douglas Turnbull, Deputy Chairman of TD Securities
- Bruce McCuaig, President and CEO

The Board is committed to establishing and adhering to corporate governance best practices. During the past year the following governance achievements were realized:

- The Board established and implemented a Board and Committee Evaluation Process to formally examine its effectiveness and establish goals for continuous improvement. The December 20, 2010 Report of the Special Advisor on the Provincial Agency Review Project commended the Board for its approach to board evaluation.
- A Metrolinx Board Skills Matrix was created to catalogue current member skills and identify any gaps. The matrix will assist with recommendations for the appointment of new directors by the Minister of Transportation when necessary.
- Metrolinx's key accountability requirements are set out in its Memorandum of Understanding with Ontario's Minister of Transportation. Metrolinx's Memorandum of Understanding was revised to incorporate the requirements of the Management Board of Cabinet's January 26, 2010 Agency Establishment and Accountability Directive.
- The Board held two all-day sessions to consider and approve Metrolinx's strategic direction, including its strategic and capital plans.
- To ensure effective Board oversight had been achieved, the Board reviewed the terms of reference and activities of its four standing committees: Audit, Finance and Risk Management, Customer Service, Governance, and Human Resources and Compensation.

Our Vision, Mission and Values

Metrolinx

Vision: Working together to transform the way the region moves
Mission: To champion and deliver mobility solutions for the Greater Toronto and Hamilton Area (GTHA)

GO Transit

Vision: To be the preferred choice for regional travellers across the Greater Toronto and Hamilton Area (GTHA)
Mission: To be a customer-first regional transit service

Transforming Transit

This has been a transformative year for Metrolinx.

A year that saw not only improvements in and expansion of GO Transit services –which increased ridership by 2.3 million passengers over the previous year – but the start of a transformation in how GO rail could operate in the future as result of our electrification study.

It was a year when plans were transformed into action as we introduced new rapid transit in York Region and made significant progress in other areas, including construction of exclusive bus lanes along Highway 403 in partnership with the City of Mississauga.

A year in which we transformed our own plans to reflect the experience we've gained as we implement the priorities of The Big Move– and to meet changing priorities, reaching agreement on a revised plan for the City of Toronto that will see the Eglinton-Scarborough Crosstown move forward.

At Metrolinx we believe that by providing convenient, affordable travel options we do more than get people from here to there, we help them move from limits to possibilities, help build thriving communities, a sustainable environment and a prosperous, competitive economy.

We're at a stage now where the implementation of our plan is starting to be felt by people living all across the Greater Toronto and Hamilton Area, and we've only just begun.

Perhaps no other investment can do as much to protect and enhance the quality of life for future generations as transportation and Metrolinx is committed to transforming the way our region moves. Start to finish.

Our Top Priorities: Improving The Customer Experience

GO Transit is an operating division of Metrolinx and at the centre of GO Transit operations are our customers. We believe in making their ride better in every way possible, in fact we promise it.

Over the next five years, to meet increasing demand and to serve new growth effectively, we need to play catch up with infrastructure development. GO Transit services already operate at 110 per cent of capacity in the peak periods, and several municipal transit agencies such as Mississauga MiWay, York Region Transit and the Toronto Transit Commission are experiencing similar pressures.

GO Transit Passenger Charter

In November 2010, GO Transit introduced a set of five promises we've made to our customers and by which our performance will be measured. We've established targets for each promise and post a report card on our website so passengers can see how our performance measures up.

"We will do our best to be on time."

Our entire fleet now has the latest MP40 model of locomotives, capable of pulling 12 cars. Combined with upgrades to switches and signals in the Union Station corridor and the diligent attention of the operations team we've been able to achieve 94% on-time rail service, ahead of our 90% target.

"We will always take your safety seriously."

Our Transit Safety Officers are more visible on GO Trains, especially during evenings and weekends. Our customers have noticed, rating their satisfaction with safety at 79%, up from 71% in the previous year.

"We will keep you in the know."

The number of E-News subscribers has increased by 2,700 since we launched SMS text messages in January 2011 – 35% growth over last year, bringing the total to over 65,000. Now passengers can receive customized service updates directly on their mobile device.

And, one year later, Google's Transit Trip Planner is increasingly popular with GO riders. It not only integrates route and schedule information for the entire GO network, it links GO to most local transit systems.

"We will make your experience comfortable."

While we strive to have seats available for every passenger during rush hour, ridership growth of 4% over last year means that some trains are more crowded then any of us would like. But with the ongoing conversion to 12-car trains and additional trips in peak times, we're moving closer to our goal of providing more seats and more service for customers.

"We will help you quickly and courteously."

Call Centre staff try to answer 80% of calls within 20 seconds. In 2010, they met these service levels throughout the year, including the peak times of August, Christmas Eve and New Year's Eve. Quite a first. Currently it takes an average of 2.5 days to resolve customer inquiries, slightly above our two-day target.

Connecting with communities

Just as we do our best to anticipate and respond to the needs of our passengers, we feel it's important to build and maintain strong relationships with the communities in which we operate.

Georgetown South (GTS) is a major infrastructure project designed to accommodate existing and future GO Transit ridership demand, as well as a new Air Rail Link between Union Station and Pearson International Airport.

Construction can be disruptive however, and our GTS Community Relations Team has taken several initiatives to communicate with people living in neighbourhoods along the rail corridor.

We've opened two more offices in the community (three in total) where people can come to have their questions answered, and we've held 12 public meetings plus dozens of 'meet and greets' over the past year to inform citizens about planned activity and respond to their concerns.

Through quarterly mailings, email updates and website visits, our outreach program has connected with thousands of businesses, community groups and residents – and we're incorporating their feedback into our plans. For example, we established a 21-member Community Advisory Committee to help design the John Street pedestrian bridge, including aspects of accessibility, durability and safety, right down to the shape of the handrails.

We don't just move people from one place to another; we're part of the communities we serve.

Coordinating operations

In August 2010, we established an interim GO Transit Control Centre (GTCC) to consolidate our Rail Operations Control Centre, customer communications and an extension of the Bus Operations Communications Centre.

In a pilot project, a Bus Operations Supervisor worked at the GTCC to monitor, coordinate and communicate rail service updates to Bus Drivers, Corridor Supervisors, and the Customer Communications team. During service disruptions this collaboration with other operational partners resulted in improved service recovery approaches and customer communications.

Due to the significant benefits and success of the pilot project, the entire Bus Operations Communication Centre was relocated to the interim GTCC in January 2011.

Working in a coordinated and multi-functional environment will improve the reliability of communication and enhance the delivery of services to our customers. It will also provide insights and experiences that will assist in the development of our organizational structure, procedures and goals.

We are continuing with plans for a new, state-of-the-art Consolidated Control Centre that will eventually house all Metrolinx frontline operations, including Station Services and Transit Safety.

Transforming fares with PRESTO

The promise of an integrated transportation network across the region is becoming more of a reality with the continued rollout of the PRESTO fare payment system.

Since its introduction to the GO Transit system in 2009, over 46,000 PRESTO cards have been issued and are now in use at most GO rail stations and a growing number of local transit systems across the Greater Toronto and Hamilton Area. By the summer of 2011, the PRESTO system will cover all GO routes, including GO Buses.

Transcending boundaries

On March 11, 2011 a massive earthquake and tsunami struck Japan. On March 29, Metrolinx volunteers, together with Canadian Red Cross volunteers, collected over $21,000 in donations at Union Station during the morning and afternoon rush hours. Just as they did last year in supporting earthquake relief efforts in Haiti and Pakistan, GO Transit customers once again displayed their generosity.

Our Priorities: Expanding Transit Services Across the Region

The start of BRT in York Region

York Region's VivaNext rapid transit plan is taking shape with the construction of a dedicated rapidway for Bus Rapid Transit (BRT).

Extending 2.6 kilometers along Davis Drive in Newmarket, and 7 kilometres across Highway 7 in Markham, BRT rapidways will help connect the region and reduce congestion by taking Viva rapid transit vehicles out of mixed traffic.

In addition to providing more convenient, reliable transportation options, expanded rapid transit will also prepare York Region for future growth in a way that sustains a robust economy, strong communities and a healthy environment – something already in evidence at Warden Avenue and Enterprise Drive where the first of 11 Viva stations opened in March.

Located at the western entrance to downtown Markham, Warden Station is in a pedestrian-friendly, transit-oriented urban development site that is a key component of Markham's Urban Growth Centre and part of the Province's Places to Grow strategy.

The station design was inspired by historic and modern European transportation architecture with arched glass canopies offering protection from the elements, including a 9-metre fully enclosed and heated waiting area.

Metrolinx has committed $1.4 billion to improving transit in York Region and the two new BRT rapidways, scheduled for completion in 2014, are valued at over $500 million. The trend on earlier Viva projects has been to complete them early and under budget.

A new start for LRT in Toronto

Following municipal elections last fall, Metrolinx completed negotiations with the Province and the City of Toronto to formulate revised plans for rapid transit.

With a new Memorandum of Understanding in place, Metrolinx is moving forward in a way that achieves both regional and local transportation objectives.

Metrolinx will build and control a light rail transit line(LRT) running from Scarborough City Centre in the east to Jane Street and Black Creek Drive in the west, at an estimated cost of $8.18 billion.

The Eglinton-Scarborough Crosstown is one of the priority projects set out in The Big Move and funding is already in place to make it happen. Metrolinx has an $800 million contract with Bombardier for the purchase of 182 Light Rail Vehicles under the previous '5 in 10' plan and will be amending the number of LRVs required. Metrolinx is on track to deliver results to citizens as quickly as possible.

Extending our reach

Residents of Kitchener-Waterloo, Guelph and Acton will soon have a new way to travel. Metrolinx is investing $18 million to expand GO Transit on the Georgetown line with rail service scheduled to start by the end of 2011.

Current Georgetown and Brampton riders will also receive improved service as a result of this expansion, which will bring an additional 54 new route kilometres into the system.

GO will be constructing a train storage facility in Kitchener and ticketing service at new stations in all three communities – infrastructure that will support two morning and two evening trains and encourage more commuters to leave their cars behind.

Ensuring service, enhancing growth

Over the past year, Metrolinx invested more than $1 billion to ensure the safety and reliability of service to our customers.

We undertook over 300 projects, ranging from rehabilitating tracks and signals to refurbishing our fleet, from extending platforms to accommodate 12-car trains to expanding parking facilities and improving access for the people who ride them.

These investments not only benefit our current passengers but will also pay dividends in the future as our services continue to grow.

Controlling our destiny

Owning rail corridors is key to better control of operations, planning future growth and, ultimately, to improving GO Transit rail service for our customers.

With the purchase of a section of CN's Kingston Subdivision rail line, Metrolinx gained full ownership of an important segment of GO Transit's Lakeshore East corridor from Union Station to Oshawa and a direct connection to GO's Stouffville corridor in eastern Toronto.

Metrolinx now owns 61 per cent of the rail corridors on which GO Transit operates.

Making accessibility more affordable

Accessible transit can be an important lifeline for people with disabilities to access jobs, community, friends and family. In partnership with Metrolinx, municipalities across Ontario are making services more accessible and getting more out of their investment.

Through a joint procurement process that generated cost savings of approximately $400,000, 27 new accessible buses were purchased to serve people in Bancroft, Cornwall, Durham Region, Kenora, North Bay, Oakville, St. Thomas, Sarnia, Thunder Bay, Welland and York Region.

The first collaboration of its kind for specialized vehicles in Ontario resulted in a lower unit price on the new buses, with savings valued at $3.5 million, and reduced administrative costs for all parties.

Supplied by two Canadian dealers, the high-floor and low-floor accessible buses can carry up to six personal mobility devices at a time and, using clean diesel, will meet 2010 emissions standards.

Our Priorities: Preparing for the Future

The Electrification of GO

Following a year-long study, Metrolinx continues to look at the planning, engineering and environmental assessment (EA) work that would be required for the proposed electrification of GO Transit rail corridors, including the new Air Rail Link between Union Station and Pearson International Airport. Electrification is an essential step towards our long-term vision of Express Rail laid out in The Big Move.

The electrification study revealed important benefits, including shorter times to stop at stations, resulting in faster overall travel times. Electrification would also lower operating costs by up to $18 million per year. All these benefits would increase over time and as service levels increase.

High ridership numbers and existing infrastructure improvements make the Lakeshore and Georgetown corridors the strongest candidates for electrification as an alternative to the diesel trains now in service.

Metrolinx already owns the portions of these corridors over which the Air Rail Link will operate so electrification will be easier to implement. From this first phase, GO Transit will be able to develop the experience and capacity needed for future implementation.

Linking air and rail

For decades there have been discussions about building a fixed transportation link between Union Station and Pearson International Airport, the type of link that exists in major metropolitan areas around the world.

In 2003, the engineering firm SNC-Lavalin began negotiations with stakeholders to connect the two most important transportation hubs in the Greater Toronto Area. When SNC-Lavalin relinquished their rights in 2010, the Province turned to Metrolinx to build and operate the Air Rail Link (ARL).

Currently, there are five million trips between Union and Pearson every year. When the Pan Am Games open in 2015, 1.2 million of those trips are expected to be made on the ARL. With shuttles arriving every 15 minutes for the 25-minute trip, we expect to serve 5,000 passengers a day within the first five years.

When choosing the right vehicle for this new service, flexibility was of utmost importance. For while electrification of the Air Rail Link corridor won't be complete for up to nine years, we need vehicles in less than four.

The Sumitomo DMU (Diesel Multiple Unit) incorporates Tier 4 emission technology that meets the highest air quality standards, and it runs as quietly as an electric powered vehicle. It is also possible to replace the diesel-hydraulic components with electric-propulsion components. This means that when electrification is implemented we can convert these vehicles. The purchase of these vehicles is well within budget expectations.

Renewing Union Station

Transforming an 80-year old structure into a modern transportation hub while retaining its heritage is a challenge in itself. But when construction happens as trains roll along and passengers fill the platforms, the challenge is that much greater.

And while GO Transit is upgrading tracks and signals, refurbishing platforms and restoring the train shed above, the City of Toronto is rebuilding Union Station below. Construction has to progress carefully to avoid customer disruption, and will take another five years to complete.

One way we're expediting the work is by installing a tower crane in the centre of the train shed. The tower crane will allow more efficient and less disruptive construction of the new glass atrium– the centerpiece of a transformation that will improve service to our customers and enhance their travel experience through Union Station.

Transforming communities

Increased access to affordable rapid transit does more than provide people with greater mobility in their daily lives; it can transform the communities in which they live.

Focusing growth and development around major transit stations allows more people to live near transit services and makes more destinations accessible by transit.

Mobility Hubs are places of connectivity where different modes of transportation – from walking to riding transit – come together seamlessly, and where there is a concentration of working, living, shopping and playing. The Big Move identifies 51 Mobility Hubs, 26 of which will include GO Transit facilities.

In 2011, Metrolinx published guidelines to direct the planning and development of Mobility Hubs in the GTHA. In partnership with municipalities, transit agencies, the Province and private stakeholders, we're providing guidance to inform future development, and leveraging our own investments to help achieve the hub concept.

Within a Mobility Hub there exists a natural tension between the mobility function – the need for quick and efficient movement – and the placemaking function – the elements that make the hub a desirable and interesting destination, rather than just a place to pass through. The ability of a Mobility Hub to function successfully depends on the interaction and balance of these two functions and the guidelines established by Metrolinx are designed to strike the right balance.

Our mobility objective is to create seamless integration of all modes of transportation through a well-designed station that provides for safe and efficient movement of people and a high quality user experience.

Our placemaking objective is to create an attractive and vibrant, mixed-use environment that intensifies land use and minimizes our ecological footprint.

Our success in achieving these objectives will depend on establishing effective partnerships for public and private investment, with flexible planning to accommodate growth and change.

Within our organization the guidelines will be used to define the scope of work for Metrolinx-led planning and investments to update GO station standards, and as the basis for review of third party proposals for Mobility Hubs and transit stations.

Moving freight more efficiently

The effectiveness of our transportation system to move goods and deliver services is critical to building and sustaining economic prosperity in the GTHA. Urban freight is the part of freight transportation most visible to the public, yet it has not been comprehensively studied in the GTHA. Until now that is.

In collaboration with government, academic and industry stakeholders, Metrolinx examined current infrastructure and activity, identified the challenges the region faces and determined what actions are required to meet those challenges.

The GTHA Urban Freight Study will guide development of new policies and initiatives that can lead to more efficient transportation and help secure a prosperous future for the region.

Over the coming year, Metrolinx will be advancing recommendations contained in the Urban Freight Study, including developing a data framework to improve our knowledge around freight movements and enhancing partnerships with stakeholders through the goods movement roundtable.

Refining *The Big Move*

Metrolinx identified over 100 policies and actions to achieve the vision of a seamless and integrated transportation system for the GTHA. While barely two years have elapsed since the adoption of *The Big Move*, the merger of GO and Metrolinx, and the move from plan to implementation provide new and more detailed analysis and data we can now use to refine the plan.

Just as *The Big Move* is designed to transform transportation in the GTHA, the plan itself will undergo a transition to better reflect our experience and to address our priorities with greater precision.

Over the coming year, Metrolinx will deliver a large part of *The Big Move* 2.0: Progress Report and Update. This report will collect together the results of many recent studies and put them in the context of *The Big Move*. It will also include a progress reporting framework, updates to technical backgrounders on Express Rail services and transit forecasts, and merging GO Transit's GO 2020 plan into the framework of *The Big Move*. The full study will be complete by the end of 2012.

Priorities for *The Big Move*

Currently, we have more worthy projects than we have the funds to implement them. We must therefore set priorities based on highest benefit so that projects are ready to proceed in a logical sequence when funding becomes available.

The key principles underlying our approach are ensuring the safety of the transportation system at all times; providing good customer service; delivering on our promises; optimizing the Province's existing investment by increasing productivity; and creating the foundation on which both GO and regional transit can grow across the GTHA.

Priority investments must be targeted towards the overall vision of *The Big Move* – a high quality of life, a thriving, sustainable and protected environment, and a strong, prosperous and competitive economy. To achieve our goals, stable, long-term funding is of paramount strategic importance.

Branding Effectively

As Metrolinx started more projects over the past year, we assumed a more visible role. To establish a clear identity, we implemented brand guidelines for Metrolinx and its operating divisions. We also clearly defined our brand vision – one that will help those within our organization achieve our common goals, one that will establish a positive image with the public and our stakeholders.

We believe in the creativity of vision, the energy of collaboration, the reward of achievement and the value of trust. We also believe in the power of the cause, in being a beacon to those wanting to work with a forward-thinking organization as well as to those wanting to work for one.

As the champion for innovative, integrated transportation in the GTHA, Metrolinx is transforming public transportation – transforming infrastructure, quality of service and public attitude – in a way that optimizes public investment and enhances the quality of life for residents across our region.

Smart Commute

Smart Commute works with major employers across the GTHA to make commuting options like carpooling, cycling and transit more attractive to their employees. The program grew at a rate of 26% in 2010-11, and now serves 177 employers representing 430,000 commuters. New and returning members include Horizon Utilities, World Vision, McMaster Innovation Park, Maple Leaf Foods, Humber River Regional Hospital, Transat, Samsung and Citi.

Transit Procurement Innovation (TPI)

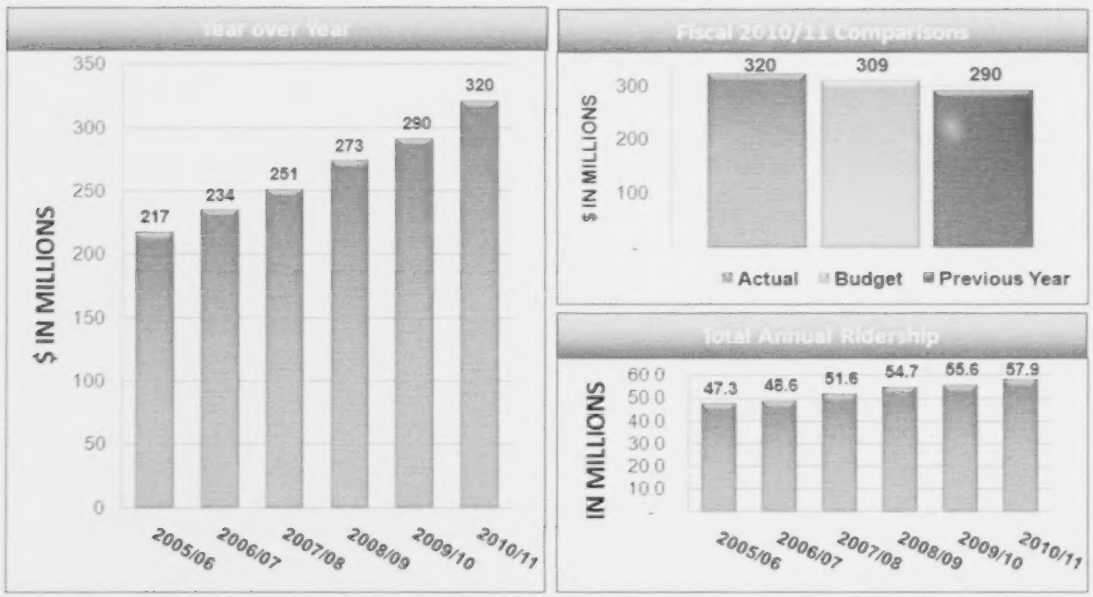
TPI works with over 20 municipalities and nonprofit partners across Ontario to facilitate the purchase of buses and soon bus parts. This year, TPI issued a joint procurement for 12-metre diesel and hybrid transit buses. Twelve Ontario municipalities are taking part in the project and we expect that 287 vehicles will be delivered from 2011 to 2013.

The Year in Review

Operating Results

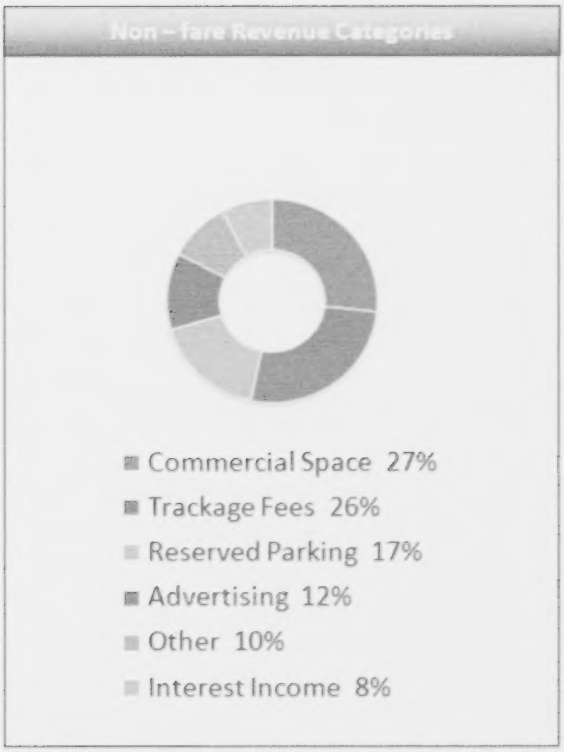
Ridership growth gained momentum in fiscal 2010/11 with an increase of 4.1% or 2.29 million rides. As the economy continues to improve and gasoline prices remain high, ridership is expected to continue its upward trend. In fiscal 2010/11, Bus ridership represented 24.5% of total ridership and has become an increasingly significant component of GO operations. Total commuter revenue for fiscal 2010/11 made significant gains with a 10.4% or $30 million increase over the previous year. Compared to budget, commuter revenue came in 3.8% or $11.7 million better than budget. Fiscal 2010/11 experienced the largest year over year gain in the past six years with commuter fare revenue reaching approximately $320.3 million. This increase was driven by an increase in ridership and a higher average fare per passenger.

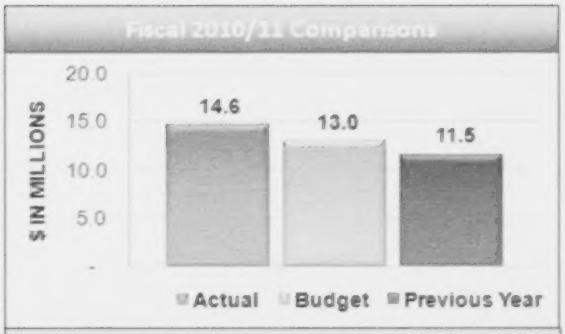
Commuter Revenue

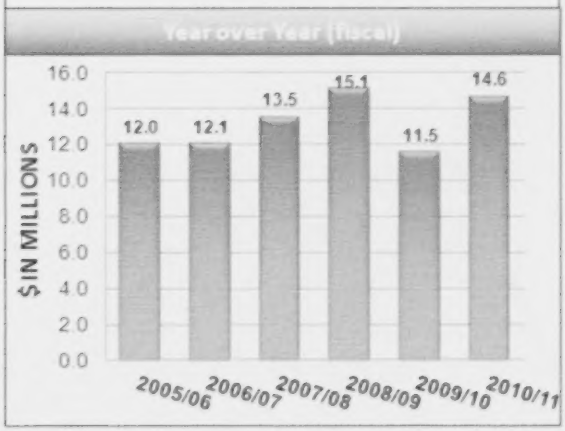


Metrolinx' fiscal 2010/11 non-fare revenue of $14.6 million (not including gain/loss on sale of capital assets) represented 4.4 per cent of total operating revenue. Total non-fare revenues were up $3.1 million from the previous year with the biggest gains coming from track fees, advertising and commercial space rental and interest income. Compared to budget, non-fare revenue came in better by 12.7% or $1.6 million. Commercial space revenue has become the largest component of non-fare revenue representing 26.8% of total. As Metrolinx continues to expand its real estate portfolio, advertising revenue is expected to increase. Reserved parking has continued its steady increase and is expected to continue as parking capacity is increased. In addition, the divestment of non-core assets added another $3.2 million.

Non-fare Revenue







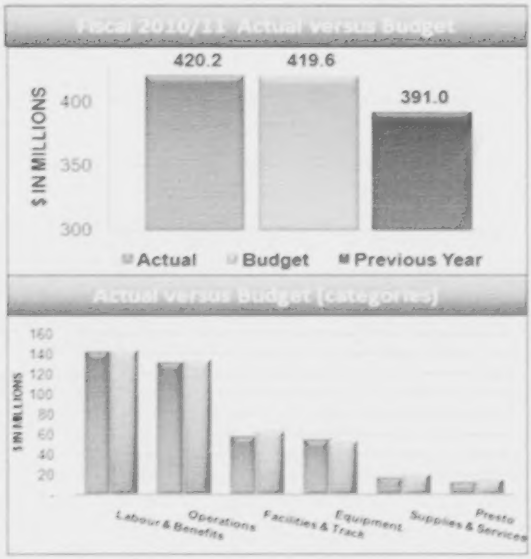
Metrolinx' operations are broken down into three major areas of activity:

- GO Transit Division - an operating division providing bus and rail service to the public on a daily basis;
- Effective June 30, 2011, PRESTO Division – a division operating the fare card system for GO Transit and eventually for systems across the GTHA and Ottawa.
- Corporate Division – providing services and support such as planning and policy, infrastructure investment, financial services, and other administrative activities supporting the GO Transit Division, PRESTO, and *The Big Move* mandate for the GTHA.

Over the next year, the Air Rail Link will grow to become another major operating division.

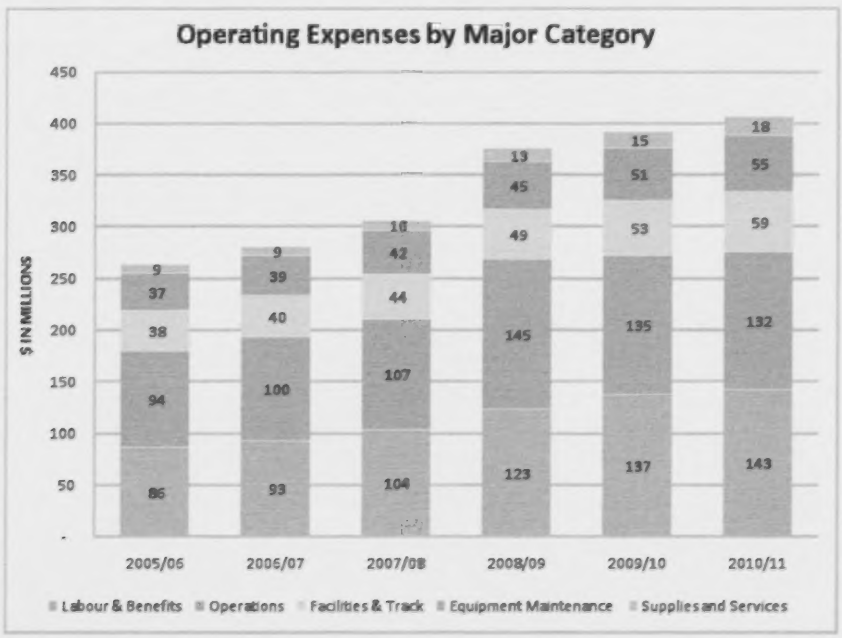
Fiscal 2010/11 operating expenses came in very close to budget at $420.2 million. Primary drivers of total operating expenses being over budget were increases in expenses such as rail access fees and equipment maintenance costs required to support the increase in revenues and ridership. These increases were offset by actual expenses coming in better than budget for PRESTO operations, Labour & Benefits, Operations, and Equipment Maintenance.

Operation Expenses



Notes:
1) Labour & Benefits excludes unfunded accruals.
2) Supplies & Services excludes accounting adjustments.

Metrolinx uses its operating cost recovery ratio as a key financial performance measure. Metrolinx cost recovery ratio compares favourably with those of other public transit authorities in Canada and the United States. Metrolinx has been able to maintain this favourable cost recovery ratio through effective management of key cost drivers, GO's fleet of high capacity bi-level rail coaches and double-decker buses, and efficient complementary bus and rail service design. Metrolinx budgeted a 79.4 per cent operating cost recovery ratio (excluding PRESTO operations) for fiscal 2010/11. The actual operating cost recovery ratio came in at 82.2 per cent (excluding PRESTO operations). Driving this gain was increased ridership and revenues while keeping operating expense close to budget.



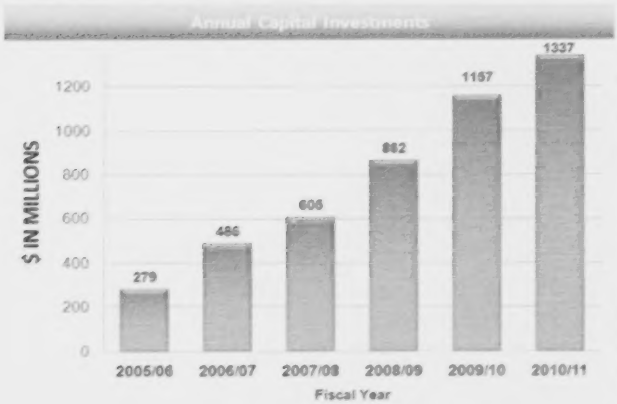
Capital Investments

In fiscal 2010/11, Metrolinx continued working towards the Province's mandate to significantly increase its investment in public transit infrastructure. A large portion of the capital budget was used for the rehabilitation of existing infrastructure in order to maintain and improve safety, and towards planned growth and expansion. Capital expenditure in 2010/11 was close to budget at $1.337 billion.

Major capital projects that moved forward during the year included:

- $305.7 million was invested in the purchase of Lakeshore East corridor between Union Station and Pickering;
- $217.4 million was invested in the York VIVA BRT project, progress payments towards Light Rail Vehicles, and the TTC LRT projects;
- Progress payments of $87.9 million were made for 70 bi-level coaches that are expected to be delivered over the next two fiscal years.
- Progress payments of $68.1 million were made for 57 more powerful and fuel efficient MP40 locomotives all of which were delivered by March 31, 2011.
- $13.3 million to complete the purchase of 21 buses required to maintain the current capacity and grow GO Transit's bus operations to service more riders. In addition, 29 new buses were ordered in early 2011 and are expected to be delivered by August 31, 2011.
- $48.7 million was invested for the work in progress of the revitalization of Union Station, replacement of the train shed, and creating a new concourse at Union Station.
- $103.7 million was invested on the Georgetown South and West Toronto Diamond projects expected to accommodate more train service for the Pan Am Games in 2015.
- $79.2 million was invested for the incremental implementation of the PRESTO fare card system to be used as the key method of fare revenue payment in the GTHA and Ottawa region.

Capital Investments



Service Levels and Infrastructure as at March 2011

Train Service:	
Lines	7
Stations	69
Route kilometres	391
Weekday train trips	180
Fleet size (number of trainsets)	42
Locomotives	65
Bi-level passenger railcars	497
Bus Service:	
Terminals (plus numerous stops & ticket agencies)	17
Route kilometres	2,613
Weekday Union Station bus trips	508
Weekday bus trips, total system	2,075
Single-level buses	376
Double decker buses	22
Across our system:	
Parking spaces	60,648
Parking structures	3
Wind turbines	1
Stations/terminals with bike shelters	46
Stations with bike lockers (or reserved bike parking)	4

Enterprise Risk Management

Building a Risk Aware Culture at Metrolinx

As part of its continued focus on good corporate governance, Metrolinx has implemented a robust enterprise-wide risk management (ERM) process under the direction of the Chief Financial Officer to support effective decision making.

The key accomplishments to date in this area include:

- Development of an ERM policy that
  - o Specifies objectives of ERM;
  - o Defines Roles and Responsibilities;
  - o Describes the risk assessment process;
  - o Defines communication protocols and awareness training;
  - o Outlines the reporting and management oversight protocols.
- Implementation of regular reporting to Board, Audit, Finance and Risk Management (AFaRM) committee and senior management.
- Awareness training through status update meetings with management.
- An external consulting firm is currently doing an assessment of the implementation of the Enterprise Risk Management framework and the Enterprise Risk Management group will be working with them to address their recommendations.

Metrolinx will continue to refine its risk management practices over the next three years by:

- Providing training to all management staff on the benefits of a formal risk management process in supporting decision making across Metrolinx and all its divisions;
- Further refine its risk reporting to the AFaRM committee, senior management and staff responsible for managing risks;
- Developing risk registers for all key infrastructure projects, then monitoring and taking actions as risk become occurrences;
- Integrating risk management practices with other key management tools such as strategic and business planning, priority setting, customer services, budgeting and forecasting and performance management.

Metrolinx has identified key risks that may impact on its objectives and reports on a quarterly basis to the Board of the corporation which includes the key actions expected to mitigate these risks:

Sustained Funding – Metrolinx requires continued sufficient funding to support its operations and future capital programs.

Supplier Failure – Metrolinx relies on key suppliers to meet their contractual obligations in order to meet the corporation's objectives.

Stakeholder Management and Governance – Effective corporate governance processes with clearly defined stakeholder roles and accountabilities to meet Metrolinx's objectives.

Service Reliability – Effective Rail services management to minimize significant and recurring delays/cancellations.

Scope Control – Project scope articulation and documentation to avoid scope creep which may impact on project cost and delivery.

Public Credibility – Maintaining the corporation's public image and the resulting impact on public or political support while delivering on Metrolinx's mandate.

Political/Government Relations/Regulatory – Changes to government regulations under which the corporation operates or significant change in policy direction will impact on Metrolinx's mandate.

Cost Estimates – Political announcements made prior to cost certainty being reasonably established may lead to cost overruns or damage to reputation for the corporation.

Customer Service-Construction – Proper communication and construction protocols during planned construction to manage customer expectations.

Third Party Corridors – Sharing third party-owned corridors will impact on service reliability and customer service.

PRESTO Implementation – Project governance to effectively manage the supplier of the PRESTO fare card system to deliver on budget and to the publicly announced dates.

Project Quality – Effective project quality management processes to manage all prescribed project activities to deliver on projects' stated requirements.

Recruitment, Retention, Succession Planning, Skills and Capabilities – Proper recruiting and retention strategy for qualified personnel and grow sufficient in-house expertise to effectively implement and manage Metrolinx's vision/plan.

Processing Capacity – Effective resource and capacity management to handle volume of work and processing capacity.

IT Project Prioritization – Proper IT governance process for effective prioritization of IT systems projects.

Employee Morale – Managing employee morale to foster a healthy working environment that will impact on Metrolinx's vision/plan.

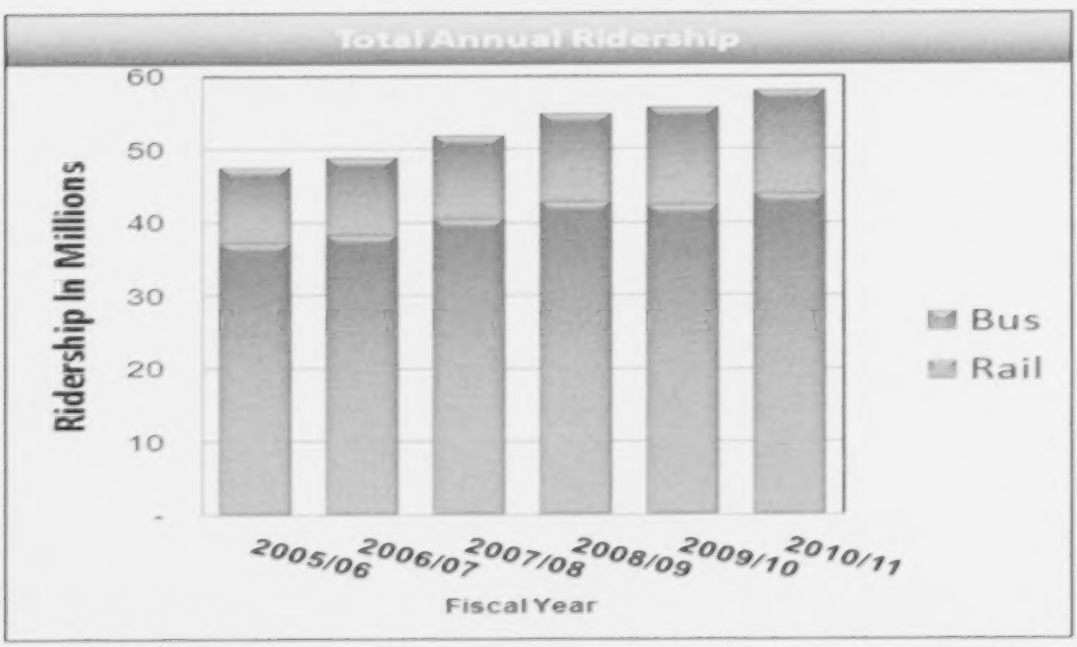
Performance Management

Metrolinx has developed performance management measures and targets to ensure results are achieved against its goals and objectives, especially in the area of customer service. Its mission, vision and value statements drive its business plans towards the effective and efficient achievement of these goals and objectives.

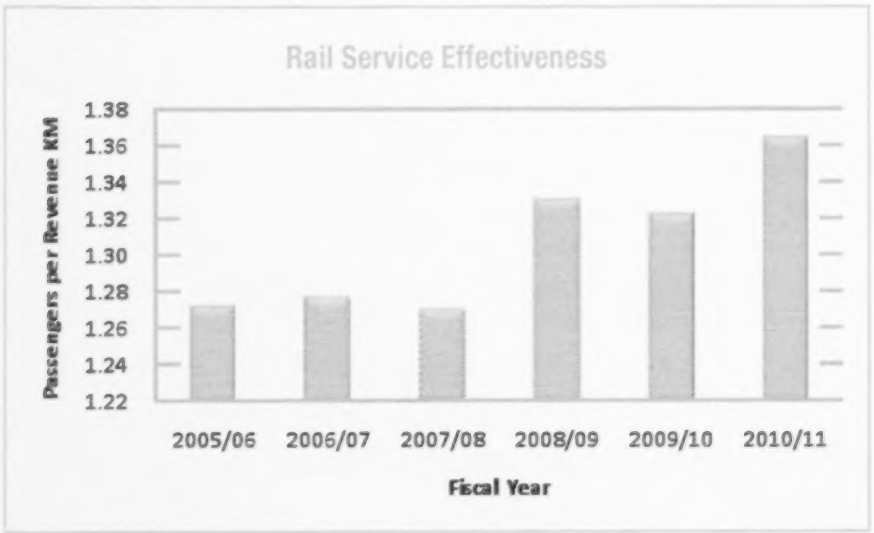
Metrolinx measures GO Transit performance against its prior years' performance to help it strive toward continuous improvement.

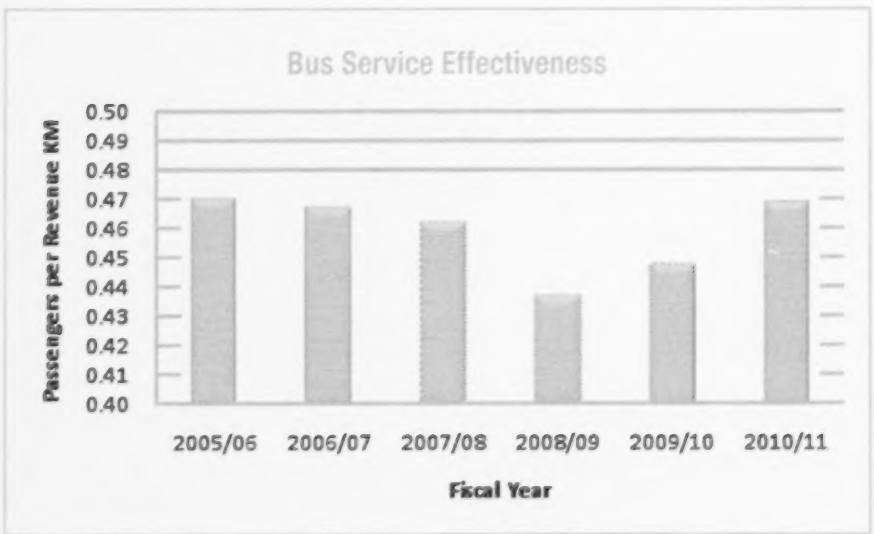
GO Transit's key performance indicator for operations is its reliability factor for on-time service. This measure is tracked on a daily, weekly, and monthly basis, and is reported to the public on a monthly basis and to the Board on a quarterly basis. GO rail service's fiscal year 2010/11 on-time reliability performance was 94% compared to the previous year's 91%. GO bus services continued its strong on-time performance record by achieving a 98.8% on-time percentage.

In fiscal year 2010/11, Rail ridership gained momentum with an increase in ridership of 1,550,000 or 3.7% while Bus ridership increased by 740,000 or 5.5%. Bus ridership has had continual year over year gains since 2006. Total ridership in 2010/11 reached 57,900,000 making GO Transit one of the top five largest commuter rail operations for both Canada and the USA.

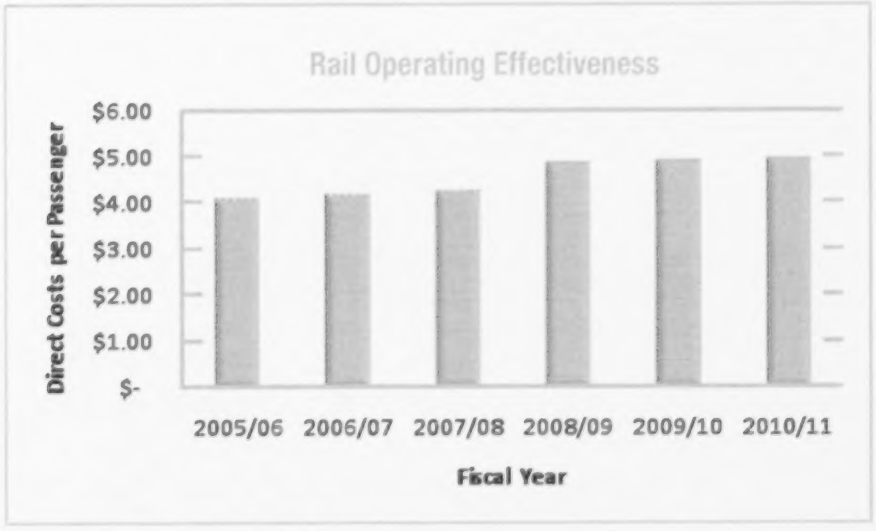


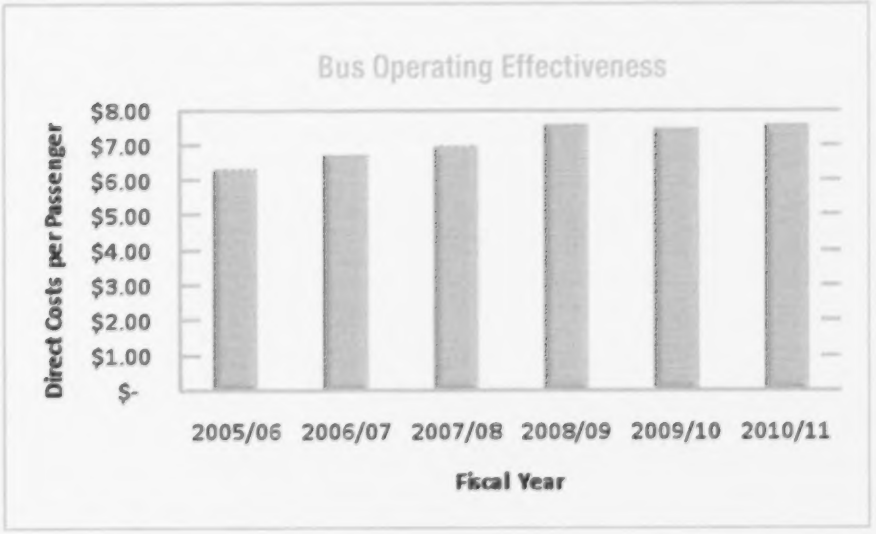
Service effectiveness, measured as the number of passengers per revenue mile or kilometre, is a key performance measure for GO Transit. GO Transit uses this metric to measure against its year over year performance. In fiscal year 2010/11, rail services reached a six year best with a passenger per revenue km ratio of 1.36 (2.2 in miles) and bus services reached close to its six year high with a passenger per revenue km ratio of .47(.75 in miles). Driving this improvement is the increase in ridership, investment in double deck coaches and buses, operating 12 car trains, and effective management of service levels offered.





Operating effectiveness, measured as direct operating costs per passenger, is another key performance indicator that GO Transit uses in its ongoing improvement process. In fiscal year 2010/11, rail service's direct costs per passenger increased .9% while bus service's direct costs per passenger increased 1.1% over the previous year. Drivers of these increases were the effects of inflation, and the additional costs required to provide service to an increase in ridership level in rail of 3.7% and in bus of 5.5%.





Financial Statements of Metrolinx

March 31, 2011

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Independent Auditor's Report

To the Members of Metrolinx

We have audited the accompanying financial statements of Metrolinx, which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in net assets and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Metrolinx as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

The financial statements of the prior period, which are included for comparative purposes, were audited by a predecessor auditor who issued an unmodified opinion dated June 18, 2010.

Deloitte & Touche LLP

Chartered Accountants

Licensed Public Accountants

July 7, 2011

Metrolinx

Statement of financial position as at March 31, 2011

(In thousands of dollars)

	2011	2010
	$	$
Assets		
Current assets		
Cash and cash equivalents	**158,432**	120,454
Accounts receivable (Note 6 (c))	**167,094**	41,189
Contributions due from Province of Ontario	**21,332**	59,480
Contributions due from Municipalities	**2,736**	20,000
Contributions due from Government of Canada	**49,153**	47,733
Spare parts and supplies	**3,699**	4,377
Prepaid expenses	**9,799**	5,434
	412,245	298,667
Funds being held for Province of Ontario (Note 5)	**46,667**	46,667
Long-term receivable	**-**	800
Capital assets (Note 6 (a))	**4,943,774**	3,803,277
Deposit on land	**2,665**	56,485
Advances on capital projects (Note 7)	**72,843**	47,421
Long-term lease (Note 8)	**29,188**	29,515
	5,507,382	4,282,832
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**365,118**	251,914
Unearned revenue in respect of tickets sold and not used	**9,299**	10,024
	374,417	261,938
Advance from Province of Ontario (Note 5)	**46,667**	46,667
Deferred capital contributions (Note 9)	**3,821,176**	3,083,736
Pension plan top-up benefits payable (Note 11)	**26,464**	23,281
Other employee future benefits payable (Note 12)	**45,631**	41,777
	4,314,355	3,457,399
Commitments (Note 15)		
Contingencies (Note 16)		
Net assets		
Net assets invested in capital assets (Note 13)	**1,198,107**	823,447
Net assets invested in long-term lease	**29,188**	29,515
Net assets internally restricted (Note 14)	**26,332**	26,332
Deficiency of net assets	**(60,600)**	(53,861)
	1,193,027	825,433
	5,507,382	4,282,832

On behalf of the Board

Director

Director

See accompanying notes of the financial statements.

Metrolinx

Statement of operations
year ended March 31, 2011

(In thousands of dollars)

	2011	2010
	$	$
Revenues		
Operating revenue	**333,840**	301,427
Contribution from the Province of Ontario	**97,137**	68,427
Contribution from the Government of Canada	**177**	77
Investment income	**1,150**	313
Amortization of deferred capital contributions (Note 9)	**220,607**	171,712
	652,911	541,956
Expenses		
Supplies and services (Note 6 (b))	**34,123**	15,185
Equipment maintenance	**55,044**	51,296
Facilities and track	**58,865**	53,110
Labour and benefits	**150,411**	137,408
Rail and bus operations	**143,757**	134,670
Amortization of capital assets	**220,823**	169,528
Amortization of long term lease	**327**	327
Loss (gain) on disposal of capital assets	**781**	(7,219)
	664,131	554,305
Excess of expenses over revenues	**(11,220)**	(12,349)

See accompanying notes of the financial statements.

Metrolinx

Statement of changes in net assets
year ended March 31, 2011

(In thousands of dollars)

	Invested in capital assets (Note 13)	Invested in long-term lease	Internally restricted net assets (Note 14)	Deficiency	2011 Total	2010 Total
	$	$	$	$	$	$
Balance, beginning of year	**823,447**	**29,515**	**26,332**	**(53,861)**	**825,433**	424,192
Excess of expenses over revenues				**(11,220)**	**(11,220)**	(12,349)
Amortization (net of amortization to revenue)	**(2,545)**	**(327)**	**-**	**2,872**	**-**	-
Assets contributed by the Province of Ontario (Note 17 (c))	**2,006**	**-**	**-**	**-**	**2,006**	58,536
Land acquisitions, net of deposits	**374,313**	**-**	**-**	**-**	**374,313**	298,639
Disposal of land	**(1,318)**	**-**	**-**	**1,318**	**-**	-
Disposal of TATOA assets	**(291)**	**-**	**-**	**291**	**-**	-
Deposit on land	**2,495**	**-**	**-**	**-**	**2,495**	56,415
Balance, end of year	**1,198,107**	**29,188**	**26,332**	**(60,600)**	**#######**	825,433

See accompanying notes of the financial statements.

Metrolinx

Statement of cash flows
year ended March 31, 2011

(In thousands of dollars)

	2011	2010
	$	$
Operating activities		
Excess of expenses over revenues	**(11,220)**	(12,349)
Amortization of capital assets and long-term lease	**221,150**	169,855
Loss (gain) on disposal of capital assets	**781**	(7,219)
Amortization of deferred capital contributions	**(220,607)**	(171,712)
Employee future benefits, net of payments	**7,037**	4,924
	(2,859)	(16,501)
Change in non-cash working capital		
Accounts receivable	**(125,906)**	(11,503)
Contributions due from Province of Ontario	**38,148**	(59,480)
Contributions due from Municipalities	**17,264**	264
Contributions due from Government of Canada	**(1,420)**	63,978
Spare parts and supplies	**678**	(352)
Prepaid expenses	**(4,365)**	2,661
Accounts payables and accrued liabilities	**113,204**	57,089
Unearned revenue in respect of tickets sold and not used	**(725)**	2
Due to Province of Ontario	**-**	(37,057)
	34,019	(899)
Investing activities		
Long-term receivable	**800**	800
Purchase of capital assets	**(1,259,516)**	(1,052,989)
Proceeds from sale of capital assets	**3,158**	16,200
Deposit on land	**(2,495)**	(56,415)
Advances on capital projects	**(72,843)**	(47,421)
	(1,330,896)	(1,139,825)
Financing activities		
Grants received for purchase of land	**376,808**	355,056
Deferred capital contributions received or receivable	**958,047**	801,768
	1,334,855	1,156,824
Net increase in cash and cash equivalents	**37,978**	16,100
Cash and cash equivalents, beginning of year	**120,454**	104,354
Cash and cash equivalents, end of year	**158,432**	120,454
Non-cash transaction		
Assets contributed by the Province of Ontario (Note 17 (c))	**2,006**	58,536

See accompanying notes of the financial statements.

1. Nature of operations

Metrolinx is a Crown agency, reporting to the Minister of Transportation of Ontario ("MTO"). It is a non-share capital corporation and is exempt from income taxes under Section 149(1) (d) of the Income Tax Act (Canada).

Metrolinx was created by sections of the Greater Toronto Transportation Authority Act, 2006 which were proclaimed on August 24, 2006. On May 14, 2009, Bill 163 was proclaimed amending the Greater Toronto Transportation Authority Act, 2006 and changing the title of the Act to the Metrolinx Act, 2006. Metrolinx's mandate is to lead the coordination, planning, financing and development of an integrated multi-modal transportation network for the Greater Toronto and Hamilton Area (GTHA). Taking a regional approach, Metrolinx will bring together the province, municipalities and local transportation authorities to produce long-term economically and environmentally sustainable transportation solutions.

GO Transit is a division of Metrolinx that operates an interregional public transit system consisting of integrated rail and bus corridors. The network of rail and bus services primarily serves communities across the Greater Toronto and Hamilton Area including the Cities of Toronto and Hamilton, and Regions of Halton, Peel, York, Durham as well as Simcoe County, Dufferin County, Wellington County and the cities of Barrie and Guelph and the Town of Bradford-West Gwillimbury.

During the year Metrolinx assumed responsibility to construct and operate a rail service between Pearson International Airport and Union Station. A separate operating division has been created to support the delivery of the project as at April 1, 2011.

2. Summary of significant accounting policies

Basis of presentation

These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles. As indicated in Note 1, effective May 14, 2009 the operations of GO Transit were wound up into Metrolinx.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and highly liquid short-term investments with maturities of three months or less at the time of purchase.

Spare parts and supplies

Spare parts and supplies are carried at the lower of cost and net realizable value. Cost is determined using the weighted-average method.

Capital assets

Capital assets are recorded at cost. The cost of a capital asset includes all costs directly related to the acquisition, construction, development or betterment of the capital asset. Salaries, wages and associated employee benefits for staff directly involved in the acquisition, development or construction of a capital asset are included in the cost of the capital asset.

Metrolinx has adopted a whole property approach in capitalizing and amortizing its buildings, rail equipment and bus equipment. Under this approach, all components attached to the building structure (lighting, elevators, air conditioning, etc) are amortized over a composite service life of the property as a whole.

If the development or construction of a capital asset is terminated or deferred indefinitely before completion, the costs capitalized to date are expensed, unless there is an alternative use for the capital asset.

2. Summary of significant accounting policies (continued)

Amortization

Metrolinx provides for the amortization of the various classes of assets over their estimated useful lives on a straight-line basis as follows:

Buildings and equipment	
Shelters and ticket booths	5 years
Other buildings	20 years
Leasehold improvements	Lease life
Locomotives	20 years
Other railway rolling stock	25 years
Improvements to railway right-of-way plant	20 years
Track work and installation	20 years
Buses including double decker buses	10 years
Parking lots	20 years
Enterprise software	7 years
Computer equipment and software	5 years
Grade separations	50 years
Sundry	
Furniture	12 years
Other	3-7 years

Work-in-progress is comprised of direct construction and development costs. No amortization is recorded until construction is substantially completed and the assets are ready for productive use.

Long-term lease

Long-term lease represents the prepayment of the lease regarding Union Station. The amount is being amortized straight-line over 100 years, being the term of the lease plus one renewal period.

Employee future benefits

Metrolinx provides pension plan benefits through the multi-employer OMERS Pension Fund. The expense for the period equals the required contribution for the period.

Metrolinx provides a Top-Up pension plan benefit using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the estimated average remaining service lives of the members.

Metrolinx also provides other employee future benefits using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the estimated average remaining service lives of the members.

Commuter services revenue

Revenue is recognized when the transportation service is provided. Unearned amounts are reflected in the statement of financial position as unearned revenue.

Contributions

Metrolinx follows the deferral method of accounting for contributions. Unrestricted contributions, including operating grants are recognized as revenue in the period to which they relate.

Deferred capital contributions relate to funds received for the acquisition of capital assets. These deferred capital contributions are recognized as revenue over the same period as the amortization of the related capital asset.

2. Summary of significant accounting policies (continued)

Internally restricted net assets

Internally restricted net assets are internally restricted to provide a funding source for planned future obligations and to provide flexibility against uncertainties which may arise. All reserves are approved by the Board of Directors and are disclosed on the statement of financial position as net assets.

Classification of financial instruments

Cash and cash equivalents are classified as held for trading. Accounts receivable, contributions due from Province of Ontario, contributions due from Municipalities, contributions due from Government of Canada and funds being held for Province of Ontario have been classified as loans and receivables. Accounts payable and accrued liabilities and advance from Province of Ontario have been classified as other financial liabilities.

Held for trading items are measured at fair value, with changes in their fair value recognized in the Statement of operations in the current period. Loans and receivables are measured at amortized cost, using the effective interest method, net of any impairment. Other financial liabilities are measured at amortized cost, using the effective interest method.

Contracts to buy or sell a non-financial item

As permitted for not for profit organizations, Metrolinx has made an accounting policy choice not to apply Section 3855, Financial Instruments - Recognition and Measurement, to contracts to buy or sell a non-financial item including derivatives embedded therein. Contracts related to the diesel fuel purchases are therefore excluded from the application of Section 3855 and not recognized in the financial statements but disclosed in Note 3.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The items subject to the most significant estimates are unearned revenue, amortization of capital assets, certain accrued liabilities, pension plan top-up benefits payable and other employee future benefits payable.

Future accounting policy

In December 2010, the Canadian Institute of Chartered Accountants ("CICA") issued a new accounting framework applicable to Not-for-Profit Organizations. Effective for fiscal years beginning on or after January 1, 2012, government Not-for-Profit Organizations must adopt Public Sector Accounting (PSA) Standards as their new underlying accounting framework and will have to choose between (a) the Not-for-Profit accounting standards which are incorporated into the CICA PSA Handbook; or (b) the CICA PSA Handbook without the Not-for-Profit accounting standards. Metrolinx currently plans to apply the Not-for-Profit accounting standards which are incorporated into the CICA PSA Handbook (for its fiscal year beginning on April 1, 2012). The impact of transitioning to these new standards has not been determined at this time.

3. Financial instruments

Fair values

The fair values of cash and cash equivalents, accounts receivable, contributions due from Province of Ontario, contributions due from Municipalities, contributions due from Government of Canada, funds being held for Province of Ontario, accounts payable and accrued liabilities and advance from Province of Ontario approximate their carrying amounts because of their short term to maturity.

Other accounts noted on the Statement of financial position, such as prepaid expenses, capital assets, deposit on land, advances on capital projects, long term lease, unearned revenue, deferred capital contributions, pension plan top-up benefits payable and other employee future benefits payable are not financial instruments.

Metrolinx has elected to follow the disclosure requirements of Section 3861 "Financial Instruments - Disclosure and Presentation" of the CICA Handbook.

Credit risk

Metrolinx is subject to credit risk through its receivables. It is management's opinion that the risk is minimal as most of the receivables are from federal, provincial and municipal governments and organizations controlled by them.

Interest rate risk

Metrolinx does not have significant exposure to interest rate risk.

Other price risk

Metrolinx is exposed to changes in crude oil prices as a result of diesel fuel consumption. The potential fluctuations in crude oil prices could have a significant impact on the cost of providing transportation services. This risk is reduced, from time to time, through the use of diesel fuel forward purchase contracts to lock in firmly committed future operating costs for own use consumption. As at March 31, 2011, Metrolinx does not have any forward purchase contracts in place.

4. Capital disclosures

The capital structure of Metrolinx consists of net assets and deferred capital contributions.

Metrolinx's main objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide the appropriate level of services to its stakeholders.

Metrolinx is subject to restrictions in how it is to utilize its externally restricted deferred capital contributions. Metrolinx employs internal control processes to ensure the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the period.

Metrolinx manages its capital structure and makes adjustments to it in light of economic conditions and the risk characteristics of the underlying assets.

5. Funds being held for Province of Ontario

In 2007 the former Greater Toronto Transit Authority (GO Transit) received $46,667 from the Province of Ontario for their contribution towards the Toronto Transit Commission ("TTC") participation in the GTA Farecard project. TTC has not yet met the requirements to receive this funding and consequently the cash held by Metrolinx and the obligation to the Province have been segregated on the statement of financial position.

6. Capital assets

a)

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
	$	$	$	$
Land	1,104,078	-	1,104,078	707,971
Buildings	504,630	249,614	255,016	196,063
Leasehold improvements	26,431	21,846	4,585	2,906
Locomotives and other railway rolling stock	1,172,799	274,178	898,621	748,214
Improvements to railway right-of-way plant	1,220,332	479,790	740,542	414,406
Track work and installation	401,987	112,774	289,213	274,079
Work-in-progress	1,121,794	-	1,121,794	1,088,572
Buses	269,093	125,802	143,291	158,270
Parking lots	258,118	96,158	161,960	155,035
Computer equipment and software	218,267	48,168	170,099	18,500
Other	126,517	71,942	54,575	39,261
	6,424,046	1,480,272	4,943,774	3,803,277

Work-in-progress includes the following:

	2011	2010
	$	$
Rail corridor expansion	282,732	418,344
Union Station	139,177	108,265
Rail fleet	111,998	127,963
PRESTO System	61,086	138,598
Light Rapid Transit and Bus Rapid Transit	250,553	50,969
Various	276,248	244,433
	1,121,794	1,088,572

b) Included in Supplies and services are costs related to design and development of tangible capital assets that will not be completed as planned. In 2011, Metrolinx deferred the design and construction of the new signaling system in the Union Station Rail Corridor. A portion of the cost incurred for this project is for elements not usable in the future and have been written off from Work-in-progress.

c) Included in accounts receivable is $52,984 (2010 - $nil) related to the design of the Light Rapid Transit (LRT) corridors in the City of Toronto. Based on a memorandum of understanding (MOU) between the City of Toronto, Metrolinx and the Province of Ontario, these projects have been cancelled or deferred at this time. The MOU provides for the recovery from the City of Toronto of expenditures relating to the design of the surface portion of the Eglinton LRT, the Finch West LRT and Sheppard East LRT. Accordingly, these costs have been reclassified from Work-in-progress to accounts receivable.

7. Advances on capital projects

Metrolinx has entered into Memorandum of Agreements (MOAs) with York Region Rapid Transit Corporation (YRRTC), The Regional Municipality of York (York Region), City of Toronto and the Toronto Transit Commission (TTC). The MOAs outline the projects, expected costs, and responsibilities of the parties involved. The MOAs also outline the definition of eligible costs and ownership rights of the projects specified in the agreements. The original MOAs were for the period April 1 to December 31, 2009. The MOA with YRRTC and York Region was extended until March 31, 2011. A Master Agreement with YRRTC and York Region was signed April 14, 2011 and covers both past and future eligible costs of constructing the bus rapidway. The MOA with the City of Toronto and the TTC was extended until May 31, 2011 and is currently being reviewed by all parties.

Pursuant to these agreements, advances were paid to the Region of York and to the Toronto Transit Commission to provide working capital totalling $72,843 (2010 - $47,421) to fund projects being developed by the Region of York and Toronto Transit Commission on behalf of Metrolinx. The advanced funds are to be held in a separate account and any interest accrued will be applied against the project.

As at March 31, 2011, Metrolinx has expended approximately $346.3 million (2010 - $129.1 million) in relation to these projects, including the following amounts which have been advanced for costs expected to be incurred to June 30, 2011.

	2011	2010
	$	$
Region of York	**48,248**	22,732
Toronto Transit Commission	**24,595**	24,689
	72,843	47,421

8. Long-term lease

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
	$	$	$	$
Leasehold, Union Station	**32,704**	**3,516**	**29,188**	29,515

9. Deferred capital contributions

The changes in the deferred capital contributions for the year are as follows:

	2011	2010
	$	$
Balance, beginning of year	**3,083,736**	2,453,680
Contributions received or receivable in the period for capital asset acquisitions		
Province of Ontario	**904,263**	739,919
Municipalities	**29,179**	24,409
Government of Canada	**24,605**	37,440
Amortization of deferred capital contributions	**(220,607)**	(171,712)
Balance, end of year	**3,821,176**	3,083,736

9. Deferred capital contributions (continued)

Metrolinx realized a shortfall in Municipal funding related to its capital program. The Province has provided funding to bridge the shortfall in the current year in the amount of $25,155 (2010 - $50,868) and the cumulative amount is $199,956. The Province will work with its Municipal partners to address the funding shortfalls.

10. Pension contributions

Metrolinx provides pension benefits for substantially all of its permanent employees through participation in the Ontario Municipal Employees Retirement System (OMERS) Pension Fund. The amount expensed in pension contributions for the year ended March 31, 2011 is $9,409 (2010 - $8,132).

11. Pension plan top-up benefits payable

With repatriation of the former GO Transit to the Province in 2002, bargaining and non-bargaining employees requested the Province to rectify the difference in pension benefits to be received by employees of GO Transit. When GO Transit was transferred from the Province to the Greater Toronto Services Board in 1999, the Provincial Plans were frozen and a new plan commenced under OMERS. It had been resolved that GO Transit was responsible for the pension obligation. GO Transit completed an actuarial valuation as of April 1, 2010. The expense for the year has been determined using the projected unit credit method pro-rated on service, applied in conformity with Section 3461 of the CICA Handbook. The pension expense recognized during the year is $3,485 (2010 - $2,347).

For the purpose of accounting for top-up benefits, Metrolinx has adopted the policy to recognize gains and losses in a year in excess of the minimum amortization (which is the portion of accumulated gains and losses which exceed 10% of the accrued benefit obligation, divided by the expected average remaining service life).

Information about Metrolinx's pension plan top-up is as follows:

	2011	2010
	$	$
Accrued benefit obligation	36,345	30,998
Fair value of plan assets	734	448
Funded status - plan deficit	35,611	30,550
Unamortized net actuarial loss	(9,147)	(7,269)
Accrued benefit liability	26,464	23,281

Details of the accrued benefit obligation are as follows:

	2011	2010
	$	$
Accrued benefit obligation, beginning of year	30,998	17,486
Current service cost	1,009	776
Interest cost on accrued benefit obligation	1,991	1,605
Benefit payments	(315)	(237)
Actuarial loss on accrued benefit obligation	2,662	11,368
Accrued benefit obligation, end of year	36,345	30,998

11. Pension plan top-up benefits payable (continued)

Details of the pension expense are as follows:

	2011	2010
	$	$
Current service cost	1,009	776
Interest cost on accrued benefit obligation	1,991	1,605
Actual return on plan assets	(1)	(2)
Actuarial gain on obligation	2,662	11,368
Expected return vs. actual return on plan assets	1	2
Amortization of gain vs. actual gain in year on obligation	(2,177)	(11,402)
	3,485	2,347

Plan assets by asset category are as follows:

	2011	2010
	%	%
Cash invested	25	21
Cash on deposit with Canada Revenue Agency	75	79
	100	100

Other information about Metrolinx's benefit plan is as follows:

	2011	2010
	$	$
Employer contributions	600	300
Benefits paid	315	237

The significant actuarial assumptions adopted in measuring Metrolinx's pension plan Top-up benefit obligations are as follows:

Discount rate	5.75% (2010 - 6.25%)
Rate of compensation increase	3% (2010 - 3%)
Inflation per annum	2% (2010 - 2%)
Expected average remaining service life	8 years (2010 - 10 years)

12. Other employee future benefits payable

Metrolinx provides post-retirement life and health benefits, Workplace Safety & Insurance Board ("WSIB") liabilities and retiree severance benefits. The plan is unfunded and requires nominal contributions from employees. Substantially all full time active employees are eligible for life and health benefits. A limited number of employees are eligible for severance benefits.

The measurement date of the plan assets and accrued benefit obligation is March 31 of each year. The most recent actuarial valuation of the other employee future benefits for funding purposes was as of March 31, 2011. The valuation was performed in accordance with the standards of the Canadian Institute of Actuaries. The financial statement items resulting from the valuation have been determined in accordance with Section 3461 of the CICA Handbook. The post-retirement non-pension benefits recognized during the period were $5,647 (2010 - $5,129).

12. Other employee future benefits payable (continued)

For the purpose of accounting for post-retirement non-pension benefits, Metrolinx has adopted the policy to recognize gains and losses in a period in excess of the minimum amortization (which is the portion of accumulated gains and losses which exceed 10% of the accrued benefit obligation, divided by the expected average remaining service life).

Information about Metrolinx's post-retirement non-pension benefits is as follows:

	2011	2010
	$	$
Accrued benefit obligation	62,622	49,391
Fair value of plan assets	-	-
Funded status - plan deficit	62,622	49,391
Unamortized net actuarial loss	(16,991)	(7,614)
Accrued benefit liability	45,631	41,777

Details of the accrued benefit obligation are as follows:

	2011	2010
	$	$
Accrued benefit obligation, beginning of year	49,391	35,381
Current service cost	2,601	2,471
Interest on accrued benefit obligation	2,924	2,794
Benefit payments	(1,781)	(1,951)
Actuarial loss on accrued benefit obligation	9,487	10,696
Accrued benefit obligation, end of year	62,622	49,391

Details on the post-retirement non-pension benefits expense are as follows:

	2011	2010
	$	$
Current service cost	2,601	2,471
Interest cost on accrued benefit obligation	2,924	2,794
Actuarial loss on obligation	9,487	10,696
Amortization of loss vs. actual loss in year on obligation	(9,365)	(10,832)
	5,647	5,129

12. Other employee future benefits payable (continued)

The significant actuarial assumptions adopted in measuring Metrolinx's post-retirement non-pension benefit obligations are as follows:

Discount rate for post-retirement non-pension benefit	5.8% (2010 - 6.20%)
Discount rate for WSIB liabilities	5.5% (2010 - 5%)
Discount rate for retiree severance benefits	4.6% (2010 - 5%)
Expected average remaining service life for post-retirement non-pension benefit	14 years (2010 -14 years)
Expected average remaining service life for WSIB liabilities	10 years (2010 -10 years)
Expected average remaining service life for retiree severance benefits	9 years (2010 - 9 years)
Rate of compensation increase	3% (2010 - 3%)
Inflation per annum	2.25% (2010 - 2%)
Initial Weighted Average Health Care Trend Rate	6.7% (2010 - 6.85%)
Ultimate Weighted Average Health Care Trend Rate	4.2% (2010 - 4.5%)
Dental care benefits increase	4% (2010 - 4.5%)

13. Net assets invested in capital assets

	2011	2010
	$	$
Capital assets	**4,943,774**	3,803,277
Deposits on land	**2,665**	56,485
Advances on capital projects	**72,843**	47,421
Less deferred capital contributions used to purchase capital assets	**(3,821,176)**	(3,083,736)
	1,198,107	823,447

14. Internally restricted net assets

The internally restricted net assets as at both March 31, 2011 and 2010 are as follows:

	$
MCOR	21,051
Employment obligation	889
Self insured retention	2,013
Stabilization	2,379
	26,332

The Municipal Capital and Operating Restructuring (MCOR) reserve was established to assist in funding large capital expenditures.

The Employment Obligation reserve was established to assist in funding general employment related obligations of Metrolinx.

The Self Insured Retention reserve was established to assist in funding any claims against the self-insured retention layer of Metrolinx's insurance program.

The Stabilization reserve was established to assist in funding fluctuations in operating and capital budgets of Metrolinx from year to year.

15. Commitments

a) The minimum operating lease payments in each of the next five years are as follows:

	$
2012	11,284
2013	11,341
2014	5,570
2015	3,757
2016	2,502
Subsequent	1,882
	36,336

b) Metrolinx has also committed approximately $2.6 billion for various capital asset additions/projects.

c) A significant amount of the services provided by Metrolinx are operated and maintained by outside parties. These services are governed by the agreements with the Canadian National Railway Company ("CN"), Canadian Pacific Railway Company ("CP") and Bombardier Inc. and by a number of minor service agreements. Metrolinx has entered into the following major agreements for approximately $112,000 per year:

   i) Master Operating Agreement with CN that terminated on May 31, 2010 has been extended until such time as a new agreement is finalized.

   ii) Commuter Agreement with CP that terminated on December 31, 2010 has been extended until such time as a new agreement is finalized.

   iii) Equipment Maintenance Contract with Bombardier terminating on May 31, 2013.

   iv) Rail Crew Contract with Bombardier terminating May 31, 2013.

d) As at year-end; Metrolinx had outstanding letters of credit totalling $338 (2010 - $2,098).

16. Contingencies

Various lawsuits have been filed against Metrolinx for incidents which arose in the ordinary course of business. Management has reviewed these claims and made provisions as appropriate. Where the outcome of a claim is not yet determinable, any settlement will be recorded when it is determined that a claim is likely to be settled and the amount is determinable.

17. Related party transactions and balances

Metrolinx had the following transactions with related parties during the year:

a) The Ontario Ministry of Transportation charged Metrolinx $1,639 (2010 - $4,602) during the year for the provision of services provided by the Ontario Ministry of Transportation. At March 31, 2011, accounts payable and accrued liabilities included $437 (2010 - $551) owing to the Ontario Ministry of Transportation.

b) During the year ended March 31, 2010 the Ontario Ministry of Transportation charged Metrolinx $1,188 for land sold by the Ontario Ministry of Transportation. During the year ended March 31, 2011 the amount has been adjusted to $3 to bring it down to the net book value of this asset maintained by the Ontario Ministry of Transportation at the time of sale. At March 31, 2011, accounts receivable included $1,185 owing by the Ontario Ministry of Transportation in this respect.

c) During the year ended March 31, 2011 Metrolinx purchased land for two dollars from the Ontario Ministry of Transportation. The transfer was treated as a contribution from the Province equivalent to the net book value of this asset maintained by the Ministry, that amounted to $2,006.

The transactions in 17a) are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Contributions of capital assets from the Province are recorded at the carrying amount.

Balances due from/to the Province of Ontario are separately disclosed on the Statement of financial position. Amounts are non-interest bearing with no specified terms of repayments.

18. Guarantees

In the normal course of business, Metrolinx enters into agreements that meet the definition of a guarantee.

(a) In the normal course of business, Metrolinx has entered into agreements that include indemnities in favour of third parties such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require Metrolinx to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

(b) Indemnity has been provided to all directors and or officers of Metrolinx including, but not limited to, all costs to settle suits or actions due to association with Metrolinx, subject to certain restrictions. Metrolinx has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of Metrolinx. The maximum amount of any potential future payment cannot be reasonably estimated.

The nature of these indemnification agreements prevents Metrolinx from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties.

Historically, Metrolinx has not made any significant payments under such or similar indemnification agreements and therefore no amount has been recorded with respect to these agreements.